

September 16, 2009

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Report—Butte County, California Integrated Waste Management Board Household Hazardous Waste Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of Butte County's (County) grant agreement HD12-03-2 for the period October 1, 2003 through March 31, 2006.

The enclosed report is for your information and use. The County's response to the report findings and our evaluation of the response are incorporated into this final report. We appreciate the County's willingness to implement corrective actions. The findings in our report are intended to assist management in improving the effectiveness and efficiency of its operations.

In accordance with Finance's policy of increased transparency, the final report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov> within five working days of this transmittal.

We appreciate the assistance and cooperation of the County's staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Michael Crump, Director, Department of Public Works, Butte County
Mr. Steve Rodowick, Recycling Coordinator, Department of Public Works, Butte County
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated
Waste Management Board
Ms. Susan Villa, Branch Manager, Administration and Finance Division, California
Integrated Waste Management Board
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated
Waste Management Board
Ms. Elaine Novak, Grant Manager, Financial Assistance Division, California Integrated
Waste Management Board
Mr. Carl Coaxum, Associate Management Auditor, Audit and Evaluation Unit, California
Integrated Waste Management Board

A GRANT AUDIT

Butte County Grant Agreement HD12-03-2



Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
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Staff
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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
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BACKGROUND

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable standards. The Board's Household Hazardous Waste (HHW) program provides competitive grants to help local governments establish or expand HHW collection programs.

The County of Butte (County) was awarded a grant to expand its household electronics waste recycling program and provide convenient collection opportunities to County residents, promote local reuse, assure environmentally sound handling of materials, and keep cathode ray tubes out of the landfill.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted an audit of the County's HHW grant listed below.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
HD12-03-02	October 1, 2003 to March 31, 2006	\$286,068

The audit objective was to determine whether the County's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the internal controls. As requested by the Board for this audit, we did not determine whether costs were billed under other Board grants or programs. Additionally, we did not assess the efficiency or effectiveness of program operations.

The County is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The Board is responsible for evaluating the efficiency and effectiveness of program operations.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant related internal controls.
- Examined the grant files.
- Reviewed the County's accounting records.

- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded

The results of our audit are based on our review of documentation, other information made available to us, and interviews with County staff. The audit was conducted from February 2009 through June 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

Except as noted below, the County's expenditures were expended in compliance with applicable laws, regulations, and the grant requirements. The audit identified \$33,655 (18 percent of the claimed expenditures) in ineligible costs. The claimed, audited, and questioned amounts are presented in Table 1. Additionally, one finding was identified as reported below.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement HD12-03-2 For the Period October 1, 2003 through March 31, 2006			
Categories	Claimed	Audited	Questioned
Collection	\$ 81,366	\$ 81,366	\$ 0
Publicity and Education	48,508	28,651	19,857
Personnel/Other	45,384	33,788	11,596
Indirect Costs	12,268	10,066	2,202
Total Expenditures	\$ 187,526	\$153,871	\$ 33,655

FINDING 1: The County Claimed \$33,655 in Ineligible Advertising, Personnel, and Indirect Costs

The specific ineligible costs are discussed below.

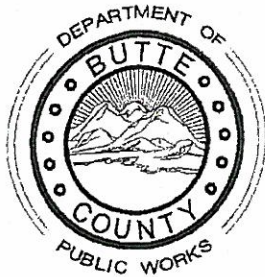
- The County Claimed \$19,857 in unauthorized billboard advertising costs. Such advertisements were not included in the original grant agreement budget or scope of work, and were not preapproved by the board via a written budget modification. The Grant Agreement, Exhibit A, Terms and Conditions, state the Board shall reimburse the grantee only for the activities and costs specified in the approved Work Plan and approved Budget Itemization, and incurred during the term of the grant agreement. Furthermore, the grant manager's written approval is required for any changes or modifications to the approved Work Plan or approved Budget Itemization prior to the performance of the changed work or expenditure of funds. Failure to obtain prior written approval of expenditures may result in withholding or disallowance of grant reimbursements.
- The County claimed \$11,596 in unsupported personnel costs. Specifically, the E-Waste attendant's hourly salary rate was claimed at \$26.05 to \$30.06 during the grant period. These rates are in excess of the approved budgeted hourly rate of \$22.50 and actual hourly rates incurred by the County of \$21.76 to \$22.49. The claim for reimbursement was not reviewed by someone other than the preparer to ensure that the costs claimed were in accordance with the approved budgeted rate and the grant agreement. The Grant Agreement, Exhibit A, Terms and Conditions, states the grantee shall be

reimbursed for only those costs specified in the approved Budget Itemization (Exhibit D) and incurred during the term of the agreement. Exhibit D documents the budgeted hourly salary rate approved by the Board for the E-Waste attendant.

- As a result of the questioned advertising and personnel costs, indirect costs of \$2,202 are also ineligible because the Grant Agreement Budget, Exhibit D, requires indirect costs to be calculated as 7 percent of total (eligible) costs.

Recommendations: The County should take the following actions:

- A. Remit the \$33,655 of ineligible costs to the Board.
- B. Ensure all future claimed expenditures and budget modifications have written Board approval, are based on the approved budget, and only include actual costs incurred.
- C. Require the claims for reimbursement be reviewed and approved by someone other than the preparer to ensure the costs claimed are in accordance with the agreement.



Department of Public Works

County of Butte

J. Michael Crump, *Director*
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July 13, 2009

David Botelho, Chief
Office of State Audits and Evaluations
California Department of Finance
300 Capital Mall, Suite 801
Sacramento, CA 95814

Dear Mr. Botelho:

The following is the response to the Draft Report of the Department of Finance audit of Butte County (County) on behalf of the California Integrated Waste Management Board (CIWMB) with respect to the Household Hazardous Waste grant, HD12-03-2.

Under the finding, there were three questioned items, the first related to the contention that a claimed amount of \$19,857 for billboard advertizing costs was not included in the grant agreement budget or scope of work. While it is correct minor changes were not approved in writing, the grant manager does state that the redirection of the funds was verbally authorized. It was concluded at the time that a formal budget modification was not required as billboard advertizing would fall under the category of "Print Media". These funds were previously included in the Print Media allocation thus no budget modification was deemed necessary. "Print Media" is not defined under the Terms and Conditions or the Procedures and Requirements under this grant. Therefore, the current budget at that time would include any expenditure on billboard advertizing.

Additionally, high resolution graphics were supplied by the CIWMB specifically for this billboard campaign as well as the final proof of the billboard was approved by the CIWMB. The billboard campaign was also included in the HD12 mid-term report as part of the ongoing grant update process. Finally, at the CIWMB awards presentation in April of 2006, a picture of the billboard in question was displayed at the awards presentation of "Best New Ewaste Collection Program" for 2006. This can be viewed at: <http://www.ciwmb.ca.gov/HHW/Events/AnnualConf/2006/April27/AWARDS.pdf>.

In summary, the CIWMB was fully aware, and did fully authorize to the extent required, that HD12-03-2 grant funds to be directed to billboard advertizing in full compliance with the terms and conditions of the HD12 grant. Therefore, the first item in finding 1 is incorrect.

The second item of the finding, relating to personnel costs charged against the grant, claims that there was \$11,596 in unsupported personnel costs. The centerpiece of the difference appears is the calculation of the productive fringe rate factor. This productive fringe rate factor is an average rate based on all

employees calculated fringe rate benefits. It may not reflect the actual dollar value of the fringe benefits received by a particular employee but is a widely accepted accounting practice and approved by the office of the State Controller.

While it is correct that the hourly rate did exceed the budgeted rate, the total actual personnel costs for this particular line item came in under by some \$1,416. Total actual personnel costs for this grant came in under by \$13,416 by coordinating the grant in-house as an in-kind contribution, as opposed to using a consultant as originally budgeted.

Given that this budget category came in under budget, and the entire actual grant budget came in under the budgeted amount by over \$99,000, it is the opinion of the County that this disparity is inconsequential and should not be required to remit the requested repayment. The audit did correctly discover that \$480.57 of personnel costs were charged beyond the term of the grant. The County agrees that this amount should be remitted back to the CIWMB with the added 7% in indirect costs (item #3) resulting in a total required remittal of \$514.21. The County will, for future grant reports, use actual dollar figures as opposed to the calculated weighted average in determining benefit amounts. Additionally, we will insist on any budget revisions, regardless of how minor, be approved in writing by the grant manager before any changes are made.

We are appealing the finding and are requesting that the finding be revised to show the required remittance to be \$514.21.

This concludes the response to the draft report of the Butte County, California Integrated Waste Management Board Household Hazardous Waste Grant Audit.

Respectfully,

Original signed by:

Mike Crump
Butte County Public Works Director

Attachment

cc: Ms. Cris Cline, Butte County Public Works
Ms. Shirley Willd-Wagner, Financial Assistance Division, CIWMB
Ms. Susan Villa, Financial Assistance Division, CIWMB
Ms. Corky Mau, Financial Assistance Division, CIWMB
Ms. Elaine Novak, Financial Assistance Division, CIWMB
Ms. Susan Mueller, Financial Assistance Division, CIWMB
Mr. Carl Coaxum, Audit and Evaluation Unit, CIWMB
Mr. Steve Rodowick, Butte County Public Works
Mr. Bill Mannel, Butte County Public Works

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations, reviewed the County of Butte's (County) response to the draft report. Our evaluation of the response follows:

Billboard Advertising Costs

The County asserts that the \$19,857 in billboard advertisements is included in the Print Media budget category. Specifically, the County stated this category is not defined in the grant terms and conditions; therefore, a formal budget modification was not required. Also, the County states the California Integrated Waste Management Board's (Board) grant manager verbally authorized the redirection of funds.

The Grant Agreement, Exhibit C-Work Statement and Exhibit D-Budget Itemization, only include radio and newspaper advertising under the publicity and education category. This represents the only types of media authorized under the grant agreement. The grant agreement states the grantee shall obtain the grant manager's written approval for any changes or modifications to the approved Work Plan or approved Budget Itemization prior to performing the changed work or incurring the changed cost.

The Board's current grant manager communicated to us that they believed the billboard advertising appeared to be approved by a prior grant manager based on the Budget Reconciliation Statement. However, the Budget Reconciliation Statement, the current grant manager relied on to make this determination, was prepared by the County and submitted to the Board in the final report at the conclusion of the grant. As a result, neither the County nor the Board provided evidence of written pre-approval of the billboard advertisements. Therefore, the finding remains as originally stated in the audit report.

Personnel Costs

The County acknowledged the personnel costs for the E-waste attendant were not based on actual costs and the hourly rate billed exceeded the budgeted rate. Additionally, the County agreed \$481 in personnel and related indirect costs were ineligible for reimbursement because they were incurred after the grant period. However, the County stated \$11,115 (\$11,596-481) in ineligible personnel costs should not be returned to the Board. Because the County did not provide evidence of other costs eligible for reimbursement, the finding remains as originally stated in the audit report.

Indirect Costs

Because the costs related to billboard advertising and personnel remain ineligible, the \$2,202 in related indirect costs also remain ineligible for reimbursement as originally stated in the audit report.